

**CANADIAN
CAR & FOUNDRY
COMPANY
LIMITED**

**THIRTY-FIRST
ANNUAL
REPORT
1940**

MONTREAL - CANADA

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**CANADIAN
CAR & FOUNDRY
COMPANY
LIMITED**

**THIRTY-FIRST
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REPORT
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MONTREAL - CANADA

CANADIAN CAR & FOUNDRY COMPANY, LIMITED

BOARD OF DIRECTORS

V. M. DRURY	-	-	<i>President</i>
W. F. ANGUS	-	-	<i>Vice-President</i>
L. A. PETO	-	-	<i>Vice-President and General Manager</i>
HON. C. P. BEAUBIEN, K.C., MONTREAL			W. A. EDEN, MONTREAL
			J. C. NEWMAN, MONTREAL
HON. GORDON W. SCOTT, MONTREAL			HON. LORNE C. WEBSTER, MONTREAL

EXECUTIVE OFFICERS

V. M. DRURY	-	-	<i>President</i>
L. A. PETO	-	-	<i>Vice-President and General Manager</i>
W. S. ATWOOD	-	-	<i>Vice-President</i>
A. C. BOURNE	-	-	<i>Secretary</i>
P. C. McLACHLAN	-		<i>Comptroller and Treasurer</i>



GENERAL OFFICES

621 CRAIG STREET WEST, MONTREAL



SOLICITORS

WAINWRIGHT, ELDER & McDUGALL, MONTREAL



BANKERS

BANK OF MONTREAL

THE ROYAL BANK OF CANADA

CANADIAN CAR & FOUNDRY COMPANY, LIMITED

AND WHOLLY OWNED SUBSIDIARY COMPANIES

cns

CONSOLIDATED STATEMENT OF EARNED SURPLUS

at September 30, 1940

Combined net operating profit for the Fiscal Year ending September 30, 1940, before charging depreciation and providing for Income and Excess Profits Taxes.....	\$1,443,949.22
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ADD:

Dividend received from partly owned Subsidiary	\$61,242.00	
Interest on Investments.....	67.50	61,309.50
Total Income.....		1,505,258.72

DEDUCT:

Fees of Directors and Executive Committee...	\$ 8,836.11	
Salaries of Officers.....	86,783.00	
Legal Expenses.....	6,836.37	102,455.48

Profit for the Fiscal Year before charging Depreciation and providing for Income and Excess Profits Taxes.....	1,402,803.24
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DEDUCT DEPRECIATION:

Property written off during the year.....	\$71,071.62	
Additional reserve provided.....	589,151.14	660,222.76
Balance of Profits.....		742,580.48

DEDUCT:

Provision for Dominion and Provincial Income Tax and Excess Profits Tax.....	265,000.00
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Net Profit for the Fiscal Year.....	477,580.48
Surplus at September 30, 1939.....	2,788,320.67
BALANCE OF SURPLUS at September 30, 1940.....	\$3,265,901.15

CANADIAN CAR & FOUNDRY COMPANY

AND WHOLLY OWNED

CONSOLIDATED

at September 30, 1940

ASSETS

CAPITAL ASSETS:

Real Estate, Buildings, Machinery and Equipment at depreciated reproductive values as appraised in 1930 by the Canadian Appraisal Company, Limited, plus the cost of subsequent additions (Net)	\$19,790,047.21	
LESS: Reserve for depreciation provided since above date	2,347,994.29	\$17,442,052.92

DEPOSITED with The Royal Trust Company as guarantee under Workmen's Compensation Act of Quebec—Government Bonds		1,500.00
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INVESTMENT IN AND ADVANCES TO PARTLY OWNED SUBSIDIARY COMPANY:

Investment at Cost	408,280.00	
Current Account	5,182.26	413,462.26

INVESTMENT IN CANADIAN ASSOCIATED AIRCRAFT LIMITED, at cost		166,700.00
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INVESTMENT IN CENTRAL AIRCRAFT CORPORATION, at cost		75,000.00
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CURRENT ASSETS:

Inventories of manufactured and partly manufactured products, materials and supplies, certified by responsible officials of the Company, valued at cost or market prices, whichever were lower (less reserve), also expenditures on British Air Ministry contracts less relative progress billings.	4,629,724.58	
Accounts Receivable (less reserve)	3,545,554.89	
Cash on hand and with Bankers	504,388.85	8,679,668.32

DEFERRED CHARGES		138,976.30
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\$26,917,359.80

AUDITORS' REPORT TO THE SHAREHOLDERS:

We have made an examination of the books and accounts of the Canadian Car & Foundry Company Limited, and its wholly owned Subsidiary Companies for the year ending September 30, 1940, and have obtained all the information and explanations which we have required; and we report that, in our opinion, the above Consolidated Balance Sheet at September 30, 1940, is properly drawn up so as to exhibit a true and correct view of the state of the combined affairs of the Canadian Car & Foundry Company, Limited, and its wholly owned Subsidiary Companies, after making provision of \$660,222.76 on account of depreciation for the year, according to the best of our information and the explanations given to us and as shown by the books of these companies.

In accordance with the provisions of Section 114 of the Companies Act 1934, we also report that the profits of a partly owned subsidiary company have been included in the above accounts only to the extent of the dividends declared and received therefrom, the balance of profits being carried forward on the books of the subsidiary company.

MONTREAL, December 9th, 1940.

PRICE, WATERHOUSE & CO.,
Auditors.

NDRY COMPANY, LIMITED

SUBSIDIARY COMPANIES

BALANCE SHEET

per 30, 1940

LIABILITIES

CAPITAL STOCK:

Preference:

Seven per cent cumulative and participating.

Authorized and issued 300,000 shares of \$25 each \$7,500,000.00

LESS: Purchased for

retirement 16,885 shares of \$25 each 422,125.00

Outstanding 283,115 shares of \$25 each 7,077,875.00

(Dividends in arrear \$2,582,008.80)

Ordinary:

Authorized 400,000 shares of no par value.

Issued 365,800 shares. 9,145,000.00

\$16,222,875.00

CURRENT LIABILITIES:

Bank Loans Secured 3,083,000.00

Accounts Payable and Payrolls 2,766,172.85

Provision for Dominion, Provincial and other Taxes 476,511.11

6,325,683.96

OPERATING AND MISCELLANEOUS RESERVES 266,000.00

CAPITAL SURPLUS:

Balance at September 30, 1939 841,126.65

LESS Minor Adjustments during year (Net) 4,226.96

836,899.69

EARNED SURPLUS—per attached statement 3,265,901.15

\$26,917,359.80

Approved on behalf of the Board:

V. M. DRURY,
Director

L. A. PETO,
Vice-President and General Manager.

W. F. ANGUS,
Director

THIRTY-FIRST ANNUAL REPORT

Year Ending September 30, 1940



TO THE SHAREHOLDERS:

Your Directors submit herewith the Thirty-First Annual Report of your Company and of its wholly owned subsidiary Companies, covering combined operations for the year ending September 30, 1940.

The report shows net earnings for the year, subject to Income Taxes, of \$742,580.48, after providing for depreciation of property to the extent of \$660,222.76. This is considered to be satisfactory on account of the comparatively small volume of car orders executed during the year.

A very substantial volume of business, arising from war requirements, has now been received by your Company, (too late for reflection in the earnings of the past year) and, in all of these contracts, our Government has rightly limited war profits to a small percentage of the turnover. Future returns to shareholders will also be limited by the new Government taxes.

In the Annual Report last year, reference was made to a contract from the British Government for the manufacture of first-line aircraft for our Fort William Shops. This contract was completed five months ahead of schedule. Additional small orders had been placed with us before the termination of the first contract, but with the sudden rush of war work following the capitulation of France, severe difficulties arose in connection with the supply of raw materials and components, to the extent that it was impossible to resume shipment of this type of aircraft until late in September. In the month of July last, further large orders for planes of this type were received, and production is being speeded up as rapidly as the material and machine tool situation will permit.

Reference was also made last year to the order for aircraft secured through Canadian Associated Aircraft, Limited, for execution at your Montreal Plants. Shipments under that order are ahead of schedule, and the size of the order has been considerably increased.

Further contracts for aircraft have been received from the Canadian Government, and these will be executed partly in your Montreal Shops and partly in buildings on your property at Amherst, Nova Scotia, some of which had been unused for many years. The Shops at Amherst are now being prepared and are expected to go into production at an early date.

Contracts have been received by your Company for shells of large calibre. In performing these contracts, the steel ingots are cast at your Longue Pointe Foundry; the ingots are forged at your Turcot Works, and the forgings are machined and finished at your Dominion Plant; all in Montreal. The delay in delivery of machine tools prevented shipments during the past fiscal year.

Your Company has also recently received a substantial order for aeroplane propellers from the Canadian Government, and this order will be executed in your Montreal Shops.

Your plant at Welland, Ontario, is still idle, but continuing efforts are being made to bring it into useful production.

All of the large contracts above referred to have necessitated substantial capital outlays for improvements to your properties, and for the installation of the necessary machine tools, some of which are being purchased for our own account and the balance are being supplied by the Government. A great percentage of these capital outlays is to be met by the British and Canadian Governments, but very substantial sums in this respect were owing to us as at September 30th last, and this condition accounts for the extent of the bank loans as at that date.

In June of this year, your Company was entrusted with the task of constructing a large Shell Filling Plant, on behalf of the Canadian and British Governments, who will supply all the necessary funds. For the purpose of carrying on these operations, which are performed on a fee basis, your Company formed a subsidiary, Canadian Car Munitions, Limited. Building operations will not be completed until April 1941, although partial production is about to commence. Nearly 6,000 men are now employed on construction of the property.

The award to Agency of Canadian Car & Foundry Company, Limited, by the Mixed Claims Commission, United States and Germany, is still unpaid. The action by certain prior awardholders, referred to in the last Annual Report, has been prosecuted through the District Court at Washington, D.C., where it was rejected, and

the Appeals Court for the District of Columbia, where the complaint was dismissed unanimously. Notwithstanding this, an application for "certiorari" before the Supreme Court of the United States was granted; the argument was heard at Washington on December 9th and 10th, 1940, and a unanimous decision, upholding the award, was rendered on the 6th instant. No further obstacles to payment are forseen.

The operations of the Canadian General Transit Company, Limited, in which your Company owns a controlling interest, continue to expand satisfactorily.

Your Directors regret to have to report that, owing to existing conditions in Europe, Sir Hugo Cunliffe-Owen, Bart., felt compelled to submit his resignation. The vacancy on the Board was filled on October 28th, 1940, by the appointment of Mr. William Harty, Chairman of the Board of Canadian Locomotive Company, Limited, Kingston, Ontario.

Your Directors deeply regret to have to record the death, at sea, as a result of enemy action, of the Honorable Gordon W. Scott, on December 14, 1940. The late Mr. Scott joined your Board of Directors on February 26, 1940.

Your Directors take this opportunity of expressing their appreciation of the loyal and efficient services rendered by the officers and employees throughout a very difficult year.

For the Directors,

V. M. DRURY,
President.

MONTREAL, January 9, 1941.

